

**California Health Facilities Financing Authority
Bond Financing Program Fund**

**Financial Statements
(With Supplementary Information)
And Independent Auditor's Report**

June 30, 2012

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Index

	Page
Independent Auditor's Report	3
Management Discussion and Analysis	5
Basic Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Supplementary Information	
Schedule of Bonds Outstanding	20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	27

Independent Auditor's Report

Members of the Board
California Health Facilities Financing Authority - Bond Financing Program Fund

We have audited the accompanying basic financial statements of the Bond Financing Program Fund of the California Health Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2012, as listed on the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Bond Financing Program Fund (and do not purport to, and do not, present fairly the financial position of the California Health Facilities Financing Authority or the State of California) as of June 30, 2012 and the changes in their net assets and their cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Financing Program Fund of the California Health Facilities Financing Authority as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 17, 2013 on our consideration of the Authority's Bond Financing Program Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information on pages 20 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority's Bond Financing Program Fund. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California
April 17, 2013

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2012

This section presents the analysis of the financial performance of the Authority's Bond Financing Program Fund during the fiscal year that ended June 30, 2012. Please read it in conjunction with the financial statements that follow this section.

General Background and Overview

The California Health Facilities Financing Authority (CHFFA) was created in 1979 pursuant to the CHFFA Act (codified in Government Code sections 15430-15462.5) which provided CHFFA with the authority to serve as a conduit issuer of tax exempt debt for health facilities throughout the State of California.

Tax Exempt Financing Program Activity

Over the years, CHFFA has served as a conduit issuer for a wide range of providers and systems throughout the State of California, from rural community-based organizations to stand alone and large multi-hospital systems. CHFFA's enabling legislation guides the specific types of eligible entities, covering a wide range of entities, including without limitation acute care hospitals, specialty centers, intermediate and skilled nursing care facilities, clinics and adult day health centers. The legislation also addresses project eligibility (including without limitation, construction, expansion, remodeling, renovation, and refinances), in addition to the make-up and responsibility of the nine member board. The borrowers are categorized under the following bond financing programs:

Standard Bond Financing Program - This program provides borrowers with access to low interest rate capital markets through the issuance of tax-exempt revenue bonds. Proceeds from the bonds may be used to fund construction/renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, and costs of issuance.

Pooled Bond Financing Program - This program provides borrowers, with more modest financing needs, the option to group or "pool" into a single bond financing, where bond issuance costs are shared by other participants. This type of financing will generally allow a borrower to finance an eligible project with a minimum bond issuance of \$500,000.

Tax Exempt Equipment Financing Program - This program provides health facilities with access to tax-exempt fixed rate financing for equipment purchases. A borrower under the program can fund qualifying equipment purchases of \$500,000 or more. The maturity of the notes must be related to the useful life of the equipment to be financed. Notes issued through the program are collateralized by the equipment that is purchased. Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including but not limited to, medical and

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Management Discussion and Analysis - Continued

For Fiscal Year Ended June 30, 2012

diagnostic equipment, computers, and telecommunications equipment. Funds can also be used to finance minor equipment installation costs.

During the fiscal year ended June 30, 2012, the CHFFA Board authorized \$2.9 billion in conduit revenue bonds and bonds issued during the fiscal year amounted to \$2.9 billion. As of June 30, 2012, CHFFA's total debt issued was \$28.7 billion and total debt outstanding was \$11.8 billion.

Overview of the Financial Statements

The financial statements of the Authority's Bond Financing Program Fund include the Independent Auditor's Report, Management Discussion & Analysis (MD&A), basic financial statements, accompanying notes and supplementary information.

Required Financial Statements

The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about the activities of the Authority's Bond Financing Program Fund.

The **Statement of Net Assets** include all of the Authority's Bond Financing Program Fund's assets and liabilities for the year ended June 30, 2012 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's Bond Financing Program Fund's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority's Bond Financing Program Fund and assessing the liquidity and financial flexibility of the Authority's Bond Financing Program Fund.

The **Statement of Activities** accounts for all of the Authority's Bond Financing Program Fund's revenue and expenses for the year ended June 30, 2012. This statement reflects the results of the Authority's Bond Financing Program Fund's operations over the year and can be used to determine the Authority's Bond Financing Program Fund's credit worthiness and its ability to successfully recover all its costs through fees and interest revenue and other income.

The **Statement of Cash Flows** provides information about the Authority's Bond Financing Program Fund's cash receipts and cash payments during the year ended June 30, 2012. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Management Discussion and Analysis - Continued

For Fiscal Year Ended June 30, 2012

The accompanying ***Notes to the financial statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain ***supplementary information***. This supplementary information section contains the detail of conduit bonds issued and conduit bonds outstanding as of June 30, 2012.

Requests for Information

This financial report is designed to provide a general overview of the Authority's Bond Financing Program Fund's financial position and is intended for distribution to a variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, California Health Facilities Financing Authority, 915 Capitol Mall Room 590, Sacramento, California 95814.

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Statement of Net Assets

June 30, 2012

Assets

Current assets	
Cash and cash equivalents	\$ 15,458,740
Prepaid expenses	7,000
Fees receivable, net of an allowance for doubtful accounts of \$21,688	1,059,628
SMIF interest receivable	13,231
Due from other funds	32,431
	<hr/>
Total current assets	16,571,030
	<hr/>
Noncurrent assets	
Capital assets, net of accumulated depreciation of \$77,410	61,094
	<hr/>
Total noncurrent assets	61,094
	<hr/>
Total assets	<u>\$ 16,632,124</u>

Liabilities

Current liabilities	
Accounts payable	\$ 81,888
Accrued expenses	33,942
Other liabilities - accrued leave	122,563
	<hr/>
Total current liabilities	238,393
	<hr/>
Total liabilities	238,393
	<hr/>

Net Assets

Restricted for purposes specified in enabling legislation	16,393,731
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Total net assets	16,393,731
	<hr/>
Total liabilities and net assets	<u>\$ 16,632,124</u>

See notes to financial statements

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Statement of Activities

Year ended June 30, 2012

Operating revenues	
Application fees	\$ 2,600
Initial fees	1,663,614
Annual administration fees	1,451,879
Other fees and charges	<u>1,606</u>
Total operating revenues	<u>3,119,699</u>
Operating expenses	
Salaries, wages and benefits	1,112,225
Services and supplies	478,472
Consultant services	331,848
Legal fees	166,708
Other agent fees	127,582
Intangible asset write-off	16,250
Depreciation	<u>29,908</u>
Total operating expenses	<u>2,262,993</u>
Operating income	<u>856,706</u>
Nonoperating revenues (expenses)	
Interest and investment income	<u>53,925</u>
Total nonoperating revenues	<u>53,925</u>
Changes in net assets	910,631
Total net assets, beginning of year	<u>15,483,100</u>
Total net assets, end of year	<u><u>\$ 16,393,731</u></u>

See notes to financial statements

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities:	
Receipts from fees	\$ 3,172,354
Payments to employees and service providers	<u>(2,254,744)</u>
Net cash provided by operating activities	<u>917,610</u>
Cash flows from investing activities	
Interest and investment income	57,019
Amounts advanced to other funds	<u>(6,052)</u>
Net cash provided by investing activities	<u>50,967</u>
Net increase in cash and cash equivalents	968,577
Cash and cash equivalents, beginning	<u>14,490,163</u>
Cash and cash equivalents, ending	<u><u>\$ 15,458,740</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 856,706
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	29,908
Intangible write-off	16,250
Changes in assets and liabilities:	
Fees receivable	52,655
Accounts payable	(78,049)
Accrued expenses	22,021
Other liabilities - accrued leave	<u>18,119</u>
Net cash provided by operating activities	<u><u>\$ 917,610</u></u>

See notes to financial statements

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements

June 30, 2012

Note 1 - Organization and Nature of Operations

The California Health Facilities Financing Authority (CHFFA or the Authority) was created in 1979 and operates pursuant to the California Health Facilities Financing Authority Act (codified in the California Government Code Sections 15430-15462.5). CHFFA is a public instrumentality of the State of California, authorized and empowered by the provisions of the CHFFA Act for the purpose of providing financial assistance to eligible and creditworthy non-profit and public health facilities in California through loans funded by the issuance of tax-exempt bonds, low-cost loans, and direct grant programs to promote important California health access, healthcare improvement and cost containment objectives. The diverse nature of the facilities funded by the Authority reflects the changing health care needs of California. From rural community-based organizations to large multi-hospital systems, the Authority has financed a wide range of providers and programs throughout California.

CHFFA's enabling legislation guides the specific types of eligible entities, covering a wide range of entities, including without limitation acute care hospitals, specialty centers, intermediate and skilled nursing care facilities, clinics and adult day health centers. The legislation also addresses project eligibility (including without limitation, construction, expansion, remodeling, renovation, and refinances), in addition to the make-up and responsibility of the nine member board. CHFFA has served as conduit issuer for a wide range of borrowers under the following bond financing programs:

Standard Bond Financing Program - This program provides borrowers with access to low interest rate capital markets through the issuance of tax-exempt revenue bonds. Proceeds from the bonds may be used to fund construction/renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, and costs of issuance.

Pooled Bond Financing Program - This program provides borrowers, with more modest financing needs, the option to group or "pool" into a single bond financing, where bond issuance costs are shared by other participants. This type of financing will generally allow a borrower to finance an eligible project with a minimum bond issuance of \$500,000.

Tax Exempt Equipment Financing Program - This program provides health facilities with access to tax-exempt fixed rate financing for equipment purchases. A borrower under the program can fund qualifying equipment purchases of \$500,000 or more. The maturity of the notes must be related to the useful life of the equipment to be financed. Notes issued through the program are collateralized by the equipment that

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

is purchased. Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including but not limited to, medical and diagnostic equipment, computers, and telecommunications equipment. Funds can also be used to finance minor equipment installation costs.

Effective January 1, 2010, legislation (Senate Bill 99, which added Chapter 10.7 of Division 6 of Title 1, commencing with section 5870, to the Government Code) increased the reporting and auditing requirements for conduit issuers. While the focus of the legislation was on the joint powers authorities that frequently issue bonds with the result requiring the inclusion of state finance authorities, the legislation was written to include the finance authorities chaired by the State Treasurer. As a result, the Authority must comply with the same reporting/auditing requirements imposed on the joint powers authorities.

The Program is one of many programs administered by the Authority. Other State agencies, such as the State Treasurer's Office and the State Controller's Office support the Authority by providing services and thus allocate a portion of their expenses to the Authority. Then, the Authority allocates its portion of such expenses to its different programs along with any direct costs associated with each program. The Program Fund has no direct employees and is entirely supported by staff at the Authority to perform all necessary functions. Thus, the accompanying financial statements of the Authority's Bond Financing Program Fund are not indicative of the Authority's financial position or net assets as a whole.

The Authority contracts with the State Treasurer's Office to provide administrative support including, but not limited to accounting, budgets, data processing, personnel and business services.

Note 2 - Significant Accounting Policies

Basic Financial Statements

The basic financial statements of the Authority's Bond Financing Program Fund (i.e. the Statement of Net Assets, the Statement of Activities and the Statement of Cash Flows) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The financial statements report information on all of the enterprise activities of the Bond Financing Program Fund and are presented in accordance with standards established by the Governmental Accounting Standards Board (GASB).

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Program distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB, the Program has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, which are not inconsistent with GASB pronouncements. Subsequent to this date, the Authority accounts for its proprietary funds as required by GASB.

Cash and Cash Equivalents

The Program's cash and cash equivalents are considered cash and short term investments that are held on deposit with the State Controller's Office. Cash receipts and disbursements of the Program are made through a cash pool maintained by the State Controller.

Fees Receivable

Fees receivable consist of application, initial and annual administration fees receivable from conduit bond financing borrowers. Fees receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of fees receivable. It is reasonably possible that management's estimate of the allowance will change.

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

Capital Assets

Capital assets are recorded at cost or estimated historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 to 10 years
Computer software	3 years

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2012, there has been no impairment of the capital assets.

Other Liabilities - Accrued Leave

Other Liabilities - Accrued Leave on the statement of net assets include vested and unpaid vacation and annual leave. It is anticipated that compensated absences will generally not be used in excess of a normal year's accumulation. Unused sick leave balances are not included in the liability because they do not vest to employees. For further information, refer to the financial statements of the State of California for the year ended June 30, 2012.

Net Assets

In the statement of net assets, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition or improvement of the assets.

Restricted Net Assets - This amount is restricted by external contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

As of June 30, 2012, all of the net assets are classified as restricted by enabling legislation for purposes specified in the CHFFA Act as described in Note 1.

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

General and Administrative Expenses

The Authority is subject to an allocation of intradepartmental support costs in accordance with an agreement between the Authority and the State Treasurer's Office (STO). Such costs could affect the Program's financial position or operating results in a manner that differs from those that might have been obtained if the Authority was autonomous. The Authority records these costs as invoiced by STO for the fiscal year and allocates the costs to the Program. However, the allocation is subject to review and adjustment subsequent to year-end. Any adjustment is included on invoices and recorded in the period in which the adjustment is identified.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Cash in State Treasury

Deposits with State Controller

The Authority invests excess cash funds in the Surplus Money Investment Fund (SMIF). All of the resources of SMIF are invested through the Pooled Money Investment Board and is administered by the office of the State Controller. As of June 30, 2012, the Authority has invested funds in SMIF in the amount of \$15,335,000. During the year ended June 30, 2012, the Program earned interest and investment income in the amount of \$53,925, of which \$13,231 is receivable as of June 30, 2012.

Disclosures regarding interest rate risk, credit risk, concentration of credit risk, custodial risk and other additional detailed disclosures required by GASB regarding cash deposits and investments, are presented in the financial statements of the State of California for the year ended June 30, 2012.

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

Note 4 - Fees Receivable

A detailed schedule of the fees receivable as of June 30, 2012 is as follows:

Annual administration fees	\$	1,081,316
Less allowance for uncollectible fees		<u>(21,688)</u>
Total accounts receivable, net		<u><u>\$ 1,059,628</u></u>

Note 5 - Due from Other Funds

During the year ended June 30, 2012, the Bond Financing Program paid for payroll expenses incurred by other funds and as of June 30, 2012 the Program is owed \$32,431.

Note 6 - Capital Assets

Capital assets are comprised of the following at June 30, 2012:

Furniture and equipment	\$	73,504
Computer software		<u>65,000</u>
Subtotal		138,504
Accumulated depreciation		<u>(77,410)</u>
Net		<u><u>\$ 61,094</u></u>

Note 7 - Conduit Finance Activity

The Program's conduit finance activity for the year ended June 30, 2012 is as follows:

	Debt issued during fiscal year 2012 (third party debt)	Total debt outstanding as of fiscal year 2012 (third party debt)
Qualified Private Activity Debt		
Qualified 501(c)(3) Nonprofit - Hospital and Health Care Bonds	<u>\$ 2,947,055,000</u>	<u>\$ 11,762,063,248</u>
Total Conduit Debt Issued and Outstanding	<u><u>\$ 2,947,055,000</u></u>	<u><u>\$ 11,762,063,248</u></u>

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

The Program acts as a conduit by assisting eligible borrowers with access to low interest rate capital markets through the issuance of tax-exempt revenue bonds. The financings are secured by the full faith and credit of the participating institutions, and the Program is not responsible for payment in any financing. As a result, the financing obligations are not recorded in the Program's financial statements. The borrowers' obligations may be, but need not be, secured by issuance of a letter of credit or guaranty.

At June 30, 2012, the aggregate amount of the Program's conduit debt obligations outstanding issued on behalf of program participants totaled \$11,762,063,248.

Note 8 - Employee Retirement Plan

The Program is a participant in the State of California's Public Employees' Retirement System (CalPERS), which is a defined benefit contributory retirement plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Since all State agencies are considered collectively to be a single employer, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Program's employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirements are the same as those used to compute the State pension benefit obligation as defined by CalPERS. Generally, full-time and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five to ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five to ten years of CalPERS credited service, depending upon the tier of participation. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The amount of pension contributions by the Program to CalPERS is actuarially determined under a program where contributions plus the expected earnings of CalPERS will provide the necessary funds to pay the earned benefits of the employees when due. The total payroll of the Program is covered.

The Program's contribution to CalPERS for the year ended June 30, 2012 was \$127,185. Participant contributions range from zero to six percent of their salary depending on the tier of participation. The excess of plan assets over vested and unvested benefits at June 30, 2012 was not available. Such information is available for CalPERS as a whole, which is audited annually by other independent auditors. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the

**California Health Facilities Financing Authority
Bond Financing Program Fund**

Notes to Financial Statements - Continued

June 30, 2012

CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Additional detailed disclosure required by GASB, regarding the defined benefit plan are presented in the financial statements of the State of California for the year ended June 30, 2012.

Note 9 - Other Post Employment Benefits (OPEB)

Upon retirement, the State of California provides health care benefits to the participants in the retirement systems to which the State contributes as an employer. A portion of the costs associated with the State's other post-employment benefits is allocated to the Program.

Additional detailed disclosure required by GASB, regarding other post employment benefits are presented in the financial statements of the State of California for the year ended June 30, 2012.

Note 10 - Subsequent Events

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of the Program through April 17, 2013 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

Supplementary Information

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	AIDS Healthcare Foundation, 2005 Series A, Dated July 21, 2005	\$ 7,250,000	\$ -	\$ 2,605,000	\$ 4,645,000
PUBLIC	Adventist Health System/West, 1998 Series A, Dated February 18, 1998	60,000,000	-	14,200,000	45,800,000
PUBLIC	Adventist Health System/West, 1998 Series B, Dated February 18, 1998	42,200,000	-	10,600,000	31,600,000
PUBLIC	Adventist Health System/West, 2002 Series A and 2002 Series B, dated March 13, 2002	60,000,000	-	-	60,000,000
PUBLIC	Adventist Health System/West, 2003 Series A, dated July 1, 2003	168,000,000	-	-	168,000,000
PUBLIC	Adventist Health System/West, 2009 Series A, Dated May 20, 2009	90,000,000	-	-	90,000,000
PUBLIC	Adventist Health System/West, 2009 Series B, Dated May 20, 2009	30,000,000	-	-	30,000,000
PUBLIC	Adventist Health System/West, 2009 Series C, Dated May 20, 2009	54,495,000	-	27,125,000	27,370,000
PRIVATE	Adventist Health System/West, Series 2011A, Dated June 9, 2011 (Variable Rate)	130,000,000	-	1,775,000	128,225,000
PUBLIC	Adventist Health System/West-Sutter Health Revolving Loan Pool, Series 1991A & 1991B, Dated September 25,	59,800,000	-	31,400,000	28,400,000
PUBLIC	Aldersly, 2002 Series A, dated September 1, 2002	7,125,000	-	1,325,000	5,800,000
PUBLIC	Alliance for Community Care, Series 2003, dated October 29, 2003	10,500,000	-	3,630,000	6,870,000
PUBLIC	Asian Community Center of Sacramento Valley, Inc., 2007 Series A, dated October 3, 2007	19,405,000	-	735,000	18,670,000
PUBLIC	Asian Health Services, 2009 Series A, Dated October 21, 2009	4,005,000	-	560,000	3,445,000
PUBLIC	Beacon House Association of San Pedro (The), Series 2011, Dated October 20, 2011	1,505,000	-	-	1,505,000
PRIVATE	Beckman Research Institute of the City of Hope, Dated April 6, 2000	12,650,000	-	10,928,751	1,721,249
PUBLIC	Becoming Independent: Living Skills for People With Developmental Disabilities, 1996A, dated February 1, 1996	1,665,000	-	805,000	860,000
PUBLIC	California-Nevada Methodist Homes, Series 2006, Dated May 3, 2006	42,280,000	-	11,200,000	31,080,000
PUBLIC	Casa Colina, Series 2001, Dated December 7, 2001	40,000,000	-	5,300,000	34,700,000
PRIVATE	Casa Colina, Series 2011, Dated October 18, 2011	50,000,000	-	-	50,000,000
PUBLIC	Catholic Healthcare West Loan Program, 2004	60,000,000	-	-	60,000,000
PUBLIC	Catholic Healthcare West Loan Program, 2009 Series H, Dated November 12, 2009	90,000,000	-	-	90,000,000
PUBLIC	Catholic Healthcare West, 1988 Series A, B & C, dated June 23, 1988	120,000,000	-	54,500,000	65,500,000
PUBLIC	Catholic Healthcare West, 1992 Series A, dated August 1, 1992	34,955,000	-	31,020,000	3,935,000
PUBLIC	Catholic Healthcare West, 1996 Series D, Dated May 30, 1996	36,900,000	7,900,000	4,100,000	24,900,000

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	Catholic Healthcare West, 1996 Series F, dated December 12, 1996	33,900,000	1,900,000	28,500,000	3,500,000
PUBLIC	Catholic Healthcare West, 1996 Series G, dated December 12, 1996	33,600,000	3,100,000	-	30,500,000
PUBLIC	Catholic Healthcare West, 1997 Series B, 1997 Series C, Dated October 15, 1997	70,000,000	11,600,000	33,400,000	25,000,000
PUBLIC	Catholic Healthcare West, 2004 Series G, dated April 28, 2004	29,100,000	-	295,000	28,805,000
PUBLIC	Catholic Healthcare West, 2004 Series I, dated April 28, 2004	50,000,000	-	100,000	49,900,000
PUBLIC	Catholic Healthcare West, 2005 Series H, Dated November 10, 2005	140,400,000	-	-	140,400,000
PUBLIC	Catholic Healthcare West, 2005 Series I, Dated November 10, 2005	59,600,000	-	-	59,600,000
PUBLIC	Catholic Healthcare West, 2008 Series G, Dated May 16, 2008	29,675,000	-	-	29,675,000
PUBLIC	Catholic Healthcare West, 2008 Series H, Dated May 16, 2008	54,650,000	-	6,725,000	47,925,000
PUBLIC	Catholic Healthcare West, 2008 Series I, Dated May 16, 2008	53,725,000	-	6,725,000	47,000,000
PUBLIC	Catholic Healthcare West, 2008 Series J, Dated May 16, 2008	67,700,000	-	-	67,700,000
PUBLIC	Catholic Healthcare West, 2008 Series K, Dated May 16, 2008	54,100,000	-	6,725,000	47,375,000
PUBLIC	Catholic Healthcare West, 2008 Series L, Dated May 16, 2008	38,850,000	-	6,800,000	32,050,000
PUBLIC	Catholic Healthcare West, 2009 Series A, Dated May 14, 2009	339,115,000	-	10,000,000	329,115,000
PUBLIC	Catholic Healthcare West, 2009 Series D, Dated May 14, 2009	40,355,000	-	-	40,355,000
PUBLIC	Catholic Healthcare West, 2009 Series E, Dated November 12, 2009	101,255,000	-	-	101,255,000
PUBLIC	Catholic Healthcare West, 2009 Series F, Dated November 12, 2009	66,930,000	-	-	66,930,000
PUBLIC	Catholic Healthcare West, 2011 Series A, Dated November 9, 2011	350,005,000	-	-	350,005,000
PUBLIC	Catholic Healthcare West, 2011 Series B, Dated November 9, 2011	75,000,000	-	-	75,000,000
PUBLIC	Catholic Healthcare West, 2011 Series C, Dated November 9, 2011	75,000,000	-	-	75,000,000
PUBLIC	Cedars-Sinai Medical Center, Series 2005, Dated August 10, 2005	518,820,000	-	33,530,000	485,290,000
PUBLIC	Cedars-Sinai Medical Center, Series 2009, Dated October 21, 2009	535,000,000	-	37,540,000	497,460,000
PUBLIC	Cedars-Sinai Medical Center, Series 2011, Dated December 21, 2011	148,400,000	-	-	148,400,000
PUBLIC	Children's Hospital of Orange County, 2009 Series A, Dated June 30, 2009	139,565,000	-	4,685,000	134,880,000
PUBLIC	Children's Hospital of Orange County, 2009 Series B, Dated June 30, 2009	50,000,000	-	-	50,000,000
PUBLIC	Children's Hospital of Orange County, 2009 Series C, Dated June 30, 2009	50,000,000	-	-	50,000,000

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	Children's Hospital of Orange County, 2009 Series D, Dated June 30, 2009	27,800,000	-	-	27,800,000
PUBLIC	Children's Hospital of Orange County, Series 2011A, Dated November 3, 2011	106,735,000	-	-	106,735,000
PUBLIC	Childrens Hospital Los Angeles, Series 2010A,	135,515,000	-	-	135,515,000
PUBLIC	Childrens Hospital Los Angeles, Series 2010B, Dated May 20, 2010	51,000,000	-	-	51,000,000
PUBLIC	Clinicas de Salud del Pueblo, Inc. and Valley Health Team, Inc., 2008 Series A, Dated March 11, 2008	6,250,000	3,300,000	895,000	2,055,000
PUBLIC	Community Health Systems, Inc., 2000 Series A, Dated August 1, 2000	1,295,000	-	355,000	940,000
PUBLIC	Community Program for Persons with Developmental Disabilities, 2011 Series A, Dated Feb. 17, 2011 (Tax Exempt)	44,725,000	-	2,000,000	42,725,000
PUBLIC	Community Program for Persons with Developmental Disabilities, 2011 Series B, Dated Feb. 17, 2011 (Taxable)	32,245,000	-	1,365,000	30,880,000
PUBLIC	Cottage Health System Obligated Group, 2003 Series B, dated November 13, 2003	60,000,000	-	9,260,000	50,740,000
PRIVATE	Dignity Health, 2012 Series A, Dated June 27, 2012	140,000,000	-	-	140,000,000
PUBLIC	Downey Community Hospital, Series 1993, dated August 1, 1993	68,845,000	-	56,765,000	12,080,000
PRIVATE	Equipment Loan Program (All Points Public Funding) Redlands Community Hospital, Series 2007, Dated September	5,000,000	-	3,776,108	1,223,892
PRIVATE	Equipment Loan Program (GE/Siemens) Citrus Valley Health Partners, Series 2010, Dated March 31, 2010	5,000,000	-	2,026,842	2,973,158
PUBLIC	Exceptional Children's Foundation, 1995 Series A, Dated September 1, 1995	2,990,000	-	1,520,000	1,470,000
PRIVATE	FamiliesFirst, Inc., Series 2011, Dated September 29, 2011	15,500,000	-	-	15,500,000
PUBLIC	Fellowship Homes, Inc., Series 2011, Dated October 7, 2011	2,785,000	-	-	2,785,000
PUBLIC	Gateways Hospital and Mental Health Center, 2011 Series A, Dated December 1, 2011	5,000,000	-	-	5,000,000
PUBLIC	Gateways Hospital and Mental Health Center, 2011 Series B, Dated December 1, 2011	3,085,000	-	-	3,085,000
PUBLIC	Henrietta Weill Memorial Child Guidance Clinic, Insured Rev. Bonds, 1992 Refndg. Ser. B, 10-1-92	1,445,000	-	1,220,000	225,000
PUBLIC	Hope Rehabilitation Services, 2002 Series A, dated June 1, 2002	5,845,000	-	2,380,000	3,465,000
PUBLIC	Hospital of The Good Samaritan, 1991 Series, dated August 15, 1991	105,000,000	-	43,685,000	61,315,000
PRIVATE	Insured Cal Pool Loan, Desarrollo Familiar Series 1986C, dated December 1, 1986	150,000	-	100,000	50,000
PUBLIC	Insured Cal Pool: Feedback, Olive Crest & So. CA Alcohol & Drug Programs, 1992 Series A, dated 12-1-92	5,735,000	1,955,998	2,509,002	1,270,000
PUBLIC	Kaiser Pemanente 1989 Series A, dated November 7, 1989, CABS dated October 1, 1989	145,910,000	120,410,000	22,500,051	2,999,949

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	Kaiser Permanente, 2006 Series A, Dated June 8, 2006	200,000,000	-	-	200,000,000
PUBLIC	Kaiser Permanente, 2006 Series C, Dated June 8, 2006	325,000,000	-	-	325,000,000
PUBLIC	Kaiser Permanente, 2006 Series E, Dated June 8, 2006	175,000,000	-	-	175,000,000
PRIVATE	Kaiser Permanente, 2011 Series A, Dated May 3, 2011	50,000,000	-	-	50,000,000
PRIVATE	Kaiser Permanente, 2011 Series B, Dated May 3, 2011	50,000,000	-	-	50,000,000
PRIVATE	Kaiser Permanente, 2011 Series C, Dated May 3, 2011	50,000,000	-	-	50,000,000
PRIVATE	Kaiser Permanente, 2011 Series D, Dated May 3, 2011	54,545,000	-	-	54,545,000
PUBLIC	Lucile Salter Packard Children's Hospital at Stanford, 2008 Series A, Dated August 12, 2008	30,340,000	-	-	30,340,000
PUBLIC	Lucile Salter Packard Children's Hospital at Stanford, 2008 Series B, Dated August 12, 2008	30,340,000	-	-	30,340,000
PUBLIC	Lucile Salter Packard Children's Hospital at Stanford, 2008 Series C, Dated August 12, 2008	32,770,000	-	-	32,770,000
PUBLIC	Lucile Salter Packard Children's Hospital at Stanford, 2012 Series A, Dated March 21, 2012	200,000,000	-	-	200,000,000
PUBLIC	Lucile Salter Packard Children's Hospital at Stanford, 2012 Series B, Dated March 21, 2012	51,045,000	-	-	51,045,000
PUBLIC	Marshall Hospital 1998 Series A, Dated April 1, 1998	28,030,000	-	11,420,000	16,610,000
PUBLIC	Marshall Hospital Insured Hospital Revenue Refunding Bonds, 1993 Series A, dated September 1, 1993	19,975,000	-	15,490,000	4,485,000
PUBLIC	Marshall Medical Center, 2004 Series A, Dated March 17, 2004	30,000,000	-	505,000	29,495,000
PUBLIC	Marshall Medical Center, 2004 Series B, Dated March 22, 2004	20,000,000	-	-	20,000,000
PUBLIC	Memorial Health Services Variable Rate Refunding Bonds, Series 1994, Dated March 1, 1994	85,000,000	-	20,200,000	64,800,000
PUBLIC	Memorial Health Services, Series 2012A, Dated April 25, 2012	163,735,000	-	-	163,735,000
PUBLIC	Nipomo Community Medical Center, 1990 Series A, dated July 1, 1990	770,000	-	385,000	385,000
PUBLIC	Northern California Presbyterian Homes and Services, Inc., Series 1998, Dated July 1, 1998	25,000,000	-	6,355,000	18,645,000
PUBLIC	Northern California Presbyterian Homes and Services, Inc., Series 2004, Dated September 15, 2004	43,000,000	-	5,900,000	37,100,000
PUBLIC	Paradise Valley Estates Project (NCROC), Series 2002, dated December 4, 2002	49,755,000	-	13,395,000	36,360,000
PUBLIC	Paradise Valley Estates Project (NCROC), Series 2005, Dated December 20, 2005	16,125,000	4,100,000	1,450,000	10,575,000
PUBLIC	Petaluma Health Center, Inc., 2010 Series A, Dated June 2, 2010	5,865,000	-	-	5,865,000
PUBLIC	Pomona Valley Hospital Medical Center, 1997 Series A, Dated April 15, 1997	84,000,000	-	41,795,000	42,205,000

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	Prototypes, A Center for Innovation in Health, Mental Health and Social Services & Social Model Recovery	6,085,000	-	1,785,000	4,300,000
PUBLIC	Providence Health & Services, 2008 Series C, Dated November 6, 2008	289,195,000	2,070,000	7,900,000	279,225,000
PUBLIC	Providence Health & Services, Series 2009B, Dated July 29, 2009	150,000,000	-	-	150,000,000
PUBLIC	Rady Children's Hospital - San Diego, Series 2011, Dated November 22, 2011	100,000,000	-	-	100,000,000
PUBLIC	San Diego Hospital Association, 1988 Series A, dated June 23, 1988	25,000,000	-	13,900,000	11,100,000
PUBLIC	San Fernando Valley Community Mental Health Center, Inc., 1998 Series A, Dated June 1, 1998	3,700,000	-	1,465,000	2,235,000
PUBLIC	Scripps Health, 2001 Series A, dated July 10, 2001	60,000,000	38,200,000	10,100,000	11,700,000
PUBLIC	Scripps Health, 2008 Series A, dated August 14, 2008	99,020,000	-	2,155,000	96,865,000
PUBLIC	Scripps Health, 2008 Series B, Dated August 14, 2008	44,205,000	-	8,620,000	35,585,000
PUBLIC	Scripps Health, 2008 Series C, Dated August 14, 2008	44,200,000	-	8,615,000	35,585,000
PUBLIC	Scripps Health, 2008 Series D, Dated August 14, 2008	44,200,000	-	8,640,000	35,560,000
PUBLIC	Scripps Health, 2008 Series E, Dated August 14, 2008	44,200,000	-	8,615,000	35,585,000
PUBLIC	Scripps Health, 2008 Series F, Dated August 14, 2008	44,425,000	-	8,670,000	35,755,000
PUBLIC	Scripps Health, 2008 Series G, Dated August 13, 2008	40,975,000	-	-	40,975,000
PUBLIC	Scripps Health, 2010 Series A, dated February 4, 2010	120,000,000	-	-	120,000,000
PUBLIC	Scripps Health, 2010 Series B, dated February 4, 2010	60,000,000	-	-	60,000,000
PUBLIC	Scripps Health, 2010 Series C, dated February 4, 2010	40,000,000	-	-	40,000,000
PUBLIC	Scripps Health, Series 2012A, Dated February 1, 2012	175,000,000	-	-	175,000,000
PUBLIC	Scripps Health, Series 2012B, Dated February 1, 2012 (Variable)	60,000,000	-	-	60,000,000
PUBLIC	Scripps Health, Series 2012C, Dated February 1, 2012 (Variable)	40,000,000	-	-	40,000,000
PUBLIC	Sisters of Charity of Leavenworth Health System, Series 2003, Dated December 5, 2003	49,755,000	-	28,060,000	21,695,000
PUBLIC	Sisters of Providence, Series 1996, dated January 15, 1996	63,075,000	-	58,365,000	4,710,000
PUBLIC	Small Facilities Refinancing Program, 2005 Series A, Dated April 12, 2005	22,545,000	755,000	7,485,000	14,305,000
PUBLIC	Social Science Services, Inc., Series 2011, Dated October 20, 2011	1,055,000	-	-	1,055,000
PUBLIC	Solheim Lutheran Home, 2004 Series A, Dated November 5, 2004	6,415,000	-	3,160,000	3,255,000
PUBLIC	Southern California Alcohol & Drug Programs, Inc., 1997 Series A, Dated December 1, 1997	4,095,000	-	1,600,000	2,495,000
PUBLIC	Southern California Alcohol and Drug Programs, Inc. 2001 Series A, Dated May 1, 2001	1,780,000	-	535,000	1,245,000

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	St. Joseph Health System, 2009 Series A, dated August 27, 2009	185,095,000	-	-	185,095,000
PUBLIC	St. Joseph Health System, 2009 Series B, dated August 27, 2009	69,315,000	-	340,000	68,975,000
PUBLIC	St. Joseph Health System, 2009 Series C, dated August 27, 2009	110,540,000	-	-	110,540,000
PUBLIC	St. Joseph Health System, 2009 Series D, dated August 27, 2009	56,150,000	-	-	56,150,000
PUBLIC	St. Joseph Health System, Series 2011A, dated July 14, 2011 (Variable Rate)	52,110,000	-	-	52,110,000
PUBLIC	St. Joseph Health System, Series 2011B, dated July 14, 2011 (Variable Rate)	100,000,000	-	-	100,000,000
PUBLIC	St. Joseph Health System, Series 2011C, dated July 14, 2011 (Variable Rate)	50,000,000	-	-	50,000,000
PUBLIC	St. Joseph Health System, Series 2011D, dated July 14, 2011 (Variable Rate)	100,000,000	-	-	100,000,000
PUBLIC	Stanford Hospital and Clinics, 2008 Series A-1, dated June 2, 2008	70,500,000	-	600,000	69,900,000
PUBLIC	Stanford Hospital and Clinics, 2008 Series A-2, dated June 2, 2008	104,100,000	-	900,000	103,200,000
PUBLIC	Stanford Hospital and Clinics, 2008 Series A-3, dated June 2, 2008	85,700,000	-	750,000	84,950,000
PUBLIC	Stanford Hospital and Clinics, 2008 Series B-1, dated June 2, 2008	84,100,000	-	-	84,100,000
PUBLIC	Stanford Hospital and Clinics, 2008 Series B-2, dated June 2, 2008	84,100,000	-	-	84,100,000
PUBLIC	Stanford Hospital and Clinics, 2010 Series A, Dated June 16, 2010	149,345,000	-	4,485,000	144,860,000
PUBLIC	Stanford Hospital and Clinics, 2010 Series B, Dated June 16, 2010	146,710,000	-	-	146,710,000
PUBLIC	Stanford Hospital and Clinics, 2012 Series A, Dated May 23, 2012	340,000,000	-	-	340,000,000
PUBLIC	Stanford Hospital and Clinics, 2012 Series B, Dated May 23, 2012	68,320,000	-	-	68,320,000
PUBLIC	Stanford Hospital and Clinics, 2012 Series C, Dated May 23, 2012 (Variable Rate)	60,000,000	-	-	60,000,000
PRIVATE	Stanford Hospital and Clinics, 2012 Series D, Dated May 23, 2012 (Variable Rate)	100,000,000	-	-	100,000,000
PUBLIC	Sunny View Lutheran Home, 1997 Series A, Dated September 1, 1997	4,430,000	-	2,490,000	1,940,000
PUBLIC	Sunny View Lutheran Home, 1999 Series A, Dated February 1, 1999	5,685,000	-	2,015,000	3,670,000
PUBLIC	Sutter Health, 2007 Series A, Dated May 1, 2007	756,410,000	-	-	756,410,000
PUBLIC	Sutter Health, 2008 Series A, dated May 14, 2008	321,345,000	-	66,210,000	255,135,000
PUBLIC	Sutter Health, 2011 Series B, Dated February 10, 2011	475,000,000	-	-	475,000,000
PUBLIC	Sutter Health, Series 2011D, Dated December 22, 2011	310,300,000	-	-	310,300,000

California Health Facilities Financing Authority

Bond Financing Program

Schedule of Bonds Outstanding - Continued

Year ended June 30, 2012

Public / Private	Legal Name	Principal Issued	Amount Defeased	Amount Retired	Amount Outstanding
PUBLIC	TLC Child & Family Services, Series 2011, Dated October 7, 2011	2,475,000	-	-	2,475,000
PUBLIC	The Episcopal Home, 2002 Series A, dated February 8, 2002	60,000,000	-	9,800,000	50,200,000
PUBLIC	The Episcopal Home, 2002 Series B, dated February 15, 2002 (Fixed Rate Conversion 1/7/2010)	30,000,000	-	5,200,000	24,800,000
PUBLIC	The H.E.L.P. Group 1998 Series A, Dated May 1, 1998	17,275,000	-	6,860,000	10,415,000
PUBLIC	The H.E.L.P. Group 2000 Series A, Dated May 1, 2000	17,620,000	-	4,715,000	12,905,000
PUBLIC	Valley Community Clinic, 2010 Series A, Dated March 24, 2010	2,040,000	-	60,000	1,980,000
PUBLIC	Vocational Visions, 2010 Series A, Dated July 9, 2010	2,370,000	-	55,000	2,315,000
		<u>\$ 28,746,132,017</u>	<u>\$ 8,635,488,907</u>	<u>\$ 8,348,579,862</u>	<u>\$ 11,762,063,248</u>

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Members of the Board

California Health Facilities Financing Authority - Bond Financing Program Fund

We have audited the financial statements of the Bond Financing Program Fund of the California Health Facilities Financing Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated April 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of California Health Facilities Financing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered California Health Facilities Financing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Bond Financing Program Fund of the California Health Facilities Financing Authority are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and requirements was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management and the members of the Board of the California Health Facilities Financing Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California
April 17, 2013